



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE & LOCAL FINANCE  
SUITE 1600 JAMES K. POLK BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872 FAX (615) 741-5986**

January 21, 2015

Honorable Ralph Van Brocklin, Mayor  
City of Johnson City  
P.O. Box 2150  
Johnson City, TN 37605

Dear Mayor Van Brocklin:

Please present this letter and the attached report at the next meeting of the Commission and provide a copy to each Commissioner.

This letter acknowledges receipt on January 15, 2015, from the City of Johnson City (the "City") of a request to review a plan of refunding (the "Plan") for the issuance of approximately \$5,910,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds"), to current refund an estimated \$5,800,000 Local Government Public Improvement Bonds, Series V-K-1 (the "Refunded Bonds").

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

**BALLOON INDEBTEDNESS**

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds structure is revised, the City should determine if the new structure complies with the requirements of Public Chapter 766 concerning balloon indebtedness. If the structure does not comply with the requirements, the City must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval.

**FINANCIAL PROFESSIONALS**

The City has reported Cumberland Securities Company, Inc. as its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its financial advisor.

## **CITY'S PROPOSED REFUNDING OBJECTIVE**

In 2009, the City issued the Refunded Bonds to refinance two variable rate demand obligations, Series IV-B-7 Bonds and Series IV-G-3 Bonds that had been issued to finance improvements to the City's water and sewer system. The Refunded Bonds were issued as a short-term fixed interest rate, public building authority agreement, structured with a balloon maturity due on March 1, 2015. The City indicated the purpose of the current refunding is to structure the Refunding Bonds with a fixed interest rate long-term amortization schedule that more closely matches the amortization schedules of the two original variable rate demand obligations.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the governing body and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that*

*the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## **REPORT ON DEBT OBLIGATION**

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Robert Wilson, City of Johnson City  
Mr. Joseph Ayres, Cumberland Securities Company, Inc.  
Mr. Chris Bessler, Cumberland Securities Company, Inc.  
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF JOHNSON CITY, TENNESSEE OF  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

City of Johnson City (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of approximately \$5,910,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds"), to current refund an estimated \$5,800,000 Local Government Public Improvement Bonds, Series V-K-1 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds structure is revised, the City should determine if the new structure complies with the requirements of Public Chapter 766 concerning balloon indebtedness. If the structure does not comply with the requirements, the City must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

In 2009, the City issued the Refunded Bonds to refinance two variable rate demand obligations, Series IV-B-7 Bonds and Series IV-G-3 Bonds that had been issued to finance improvements to the City's water and sewer system. The Refunded Bonds were issued as a short-term fixed interest rate, public building authority agreement, structured with a balloon maturity due on March 1, 2015. The City indicated the purpose of the current refunding is to structure the Refunding Bonds with a fixed interest rate long-term amortization schedule that more closely matches the amortization schedules of the two original variable rate demand obligations.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that \$5,910,000 Refunding Bonds will be sold by competitive sale and priced at par.
- Estimated cost of issuance of the Refunding Bonds is \$107,245 or \$18.15 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Competitive Sale)	\$ 29,550.00	\$ 5.00
Financial Advisor (Cumberland Securities Company.)	29,550.00	5.00
Bond Counsel (Bass Berry & Sims)	18,000.00	3.05
Other Costs (includes \$14,000 for rating agency fees)	30,145.00	5.10
Total Cost of Issuance	\$ 107,245.00	\$ 18.15

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script, appearing to read "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance  
Date: January 21, 2015

## **Plan of Refunding**

**A) Identification of Key Professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Financial Advisor: Cumberland Securities Company, Inc.
2. Bond Counsel: Bass, Berry & Sims
3. Underwriter: To be determined at competitive public sale

**B) Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: include a projection of the savings and amortization schedules for both refunding and refunded debt:**
  - a. N/A
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
  - a. See attached Schedules A & B. The debt is being refinanced from an interim mode (i.e. March 1, 2015 maturity) back into a long-term amortization which more closely aligns with the original amortization schedules of the issues refunded in 2009 and better matches up with cash flows available to pay debt service.
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
  - a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
  - a. The proposed refunded bonds, prior to the interim financing solution heretofore mentioned, were variable rate bonds and will be refunded with fixed rate bonds. Therefore, the City will realize a reduction in those risks associated with variable rate bonds.

**C) Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.**

1. The proposed refunding is consistent with the City's adopted debt management policy in that it is in the City's best economic interest, seeks to preserve financial and management flexibility, and is being structured so that the refunding debt does not exceed the economic life of the assets originally financed.

**D) Other Information**

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
  - a. Proposed refunding debt schedule: See attached Schedule B
  - b. Outstanding debt schedule(s): See attached Schedules A

**As well as the following:**

2. **Refunding Debt:**

- a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**
    - i. Maximum size authorized by governing body = \$6,000,000. To refund the Local Government Public Improvement Bonds, Series V-K-1, Dated 3/12/2009
  - b. **Anticipated Size = \$5,910,000**
  - c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
    - i. **Final Maturity = 6/1/2022**
    - ii. **Weighted Average Maturity = 4.319 Years**
  - d. **Breakdown of Costs of Issuance – See Schedule D**
  - e. **Sources and Uses of Funds – See Schedule C**
3. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
- a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Local Government Public Improvement Bonds, Series V-K-1, Dated 3/12/2009 (the "Series V-K-1 Bonds"). The Series V-K-1 Bonds are tax-exempt, interim fixed-rate debt, with a G.O. Loan Agreement, with a maturity on March 1, 2015.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = 3/12/2009. The City's CT-0253 is attached hereto.
  - c. **Date of authorization by the governing body.**
    - i. The Series V-K-1 Bonds were authorized by the City's governing body on February 19, 2009.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No.
  - e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
    - i. The purpose of this portion of the Series V-K-1 Bonds was to refinance, on an interim basis, the City's outstanding Local Government Public Improvement Bonds, Series IV-B-7, dated January 27, 2000 (the "Series IV-B-7 Bonds") and the Local Government Public Improvement Bonds, Series IV-G-3, dated May 3, 2001 (the "Series IV-G-3 Bonds").
  - f. **Derivative product, if any, and copy of Report of Compliance:**
    - i. There is no derivative product associated with the refunded bonds.
4. **If the proposed refunded debt was a refunding of prior debt, provide the same information for each generation of debt back to the original new money debt issuance; and provide a copy of the Report of Review of the Plan of Refunding.**
- a. In addition to already being on file at the Office of State and Local Finance, please find attached the Report of Review of the Plan of Refunding for the Series V-K-1 Bonds, which refinanced the following Bonds:
    - i. Local Government Public Improvement Bonds, Series IV-B-7, Dated 01/27/2000

- ii. Local Government Public Improvement Bonds, Series IV-G-3, Dated 05/03/2001
- 5. **Refunded Debt - Prior Generation: Series IV-B-7 Bonds**
  - a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Local Government Public Improvement Bonds, Series IV-B-7, Dated 01/27/2000 (the "Series IV-B-7 Bonds"). The Series IV-B-7 Bonds were tax-exempt, variable rate bonds, with a G.O. Loan Agreement, with an original final maturity of 6/1/2020.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = 1/27/2000. Both CT-0253's are no longer available but were filed with the Office of State and Local Finance in connection with the issue of the Series IV-B-7 Bonds in 2000.
  - c. **Date of authorization by the governing body.**
    - i. The Series IV-B-7 Bonds were authorized by the City's governing body on November 4, 1999.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No.
  - e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
    - i. The purpose of the Series IV-B-7 Bonds was to finance improvements to the water & sewer system of the City. The average life of the Series IV-B-7 Bonds was less than the 40 year asset life of the projects financed with the proceeds of the Series IV-B-7 Bonds.
  - f. **Derivative product, if any and copy of Report of Compliance:**
    - i. There are no interest rate swap agreements associated with the Series IV-B-7 Bonds.
- 6. **Refunded Debt - Prior Generation: Series IV-G-3 Bonds**
  - a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Local Government Public Improvement Bonds, Series IV-G-3, Dated 5/03/2001 (the "Series IV-G-3 Bonds"). The Series IV-G-3 Bonds were tax-exempt, variable rate bonds, with a G.O. Loan Agreement, with an original final maturity of 6/1/2022.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = 5/03/2001. Both CT-0253's are no longer available but were filed with the Office of State and Local Finance in connection with the issue of the Series IV-G-3 Bonds in 2001.
  - c. **Date of authorization by the governing body.**
    - i. The Series IV-G-3 Bonds were authorized by the City's governing body on April 10, 2001.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No.
  - e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
    - i. The purpose of the Series IV-G-3 Bonds was to finance improvements to the water & sewer system of the City. The average life of the Series IV-G-3 Bonds



was less than the 40 year asset life of the projects financed with the proceeds of the Series IV-G-3 Bonds.

f. **Derivative product, if any and copy of Report of Compliance:**

- i. There are no interest rate swap agreements associated with the Series IV-G-3 Bonds.

**CITY OF JOHNSON CITY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2015**

Preliminary  
Refunding  
Analysis

January 12, 2015

Prepared By:



**CUMBERLAND SECURITIES**

SINCE 1931

**CUMBERLAND SECURITIES COMPANY, INC**

**Independent Financial Advisors**

**813 S. Northshore Drive, Suite 201A**

**Knoxville, Tennessee 37919**

**Telephone: (865) 988-2663**

**Facsimile: (865) 988-1863**

# City of Johnson City, Tennessee

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**DEBT SERVICE TO MATURITY AND TO CALL****City of Johnson City, Tennessee  
Local Government Public Improvement Bonds, Series V-K-1**

Date	Refunded Bonds	D/S To Call	Principal	Coupon	Interest	Refunded D/S
03/01/2015	5,800,000.00	5,800,000.00	5,800,000.00	4.225%		5,800,000.00
	5,800,000.00	5,800,000.00	5,800,000.00		0.00	5,800,000.00

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation	02/26/2015
Average Life	0.014
Average Coupon	
Weighted Average Maturity (Par Basis)	0.014

**Refunding Bond Information**

Refunding Dated Date	02/26/2015
Refunding Delivery Date	02/26/2015

**DEBT SERVICE**

**City of Johnson City, Tennessee  
General Obligation Refunding Bonds, Series 2015**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total P+I</b>	<b>Fiscal Total</b>
06/01/2015			22,494.55	22,494.55	22,494.55
12/01/2015			42,621.25	42,621.25	
06/01/2016	815,000.00	0.600%	42,621.25	857,621.25	900,242.50
12/01/2016			40,176.25	40,176.25	
06/01/2017	820,000.00	0.900%	40,176.25	860,176.25	900,352.50
12/01/2017			36,486.25	36,486.25	
06/01/2018	830,000.00	1.250%	36,486.25	866,486.25	902,972.50
12/01/2018			31,298.75	31,298.75	
06/01/2019	840,000.00	1.500%	31,298.75	871,298.75	902,597.50
12/01/2019			24,998.75	24,998.75	
06/01/2020	855,000.00	1.700%	24,998.75	879,998.75	904,997.50
12/01/2020			17,731.25	17,731.25	
06/01/2021	865,000.00	1.900%	17,731.25	882,731.25	900,462.50
12/01/2021			9,513.75	9,513.75	
06/01/2022	885,000.00	2.150%	9,513.75	894,513.75	904,027.50
	5,910,000.00		428,147.05	6,338,147.05	

**Date Structure**

Date	02/26/2015
First Coupon Date	06/01/2015



## ESTIMATED SOURCES AND USES OF FUNDS

City of Johnson City, Tennessee  
General Obligation Refunding Bonds, Series 2015

Dated Date: 02/26/2015

Delivery Date: 02/26/2015

## Estimated Sources Of Funds

Bond Proceeds	
Par Amount of Bonds.....	\$5,910,000.00
	<b>\$5,910,000.00</b>

## Estimated Uses Of Funds

Refunding Escrow Deposits	
Cash Deposit.....	\$5,800,000.00
	<b>\$5,800,000.00</b>
Delivery Date Expenses	
Costs of Issuance .....	\$77,695.00
Underwriter's Discount* .....	\$29,550.00
Rounding Amount .....	\$2,755.00
	<b>\$110,000.00</b>
	<b>\$5,910,000.00</b>

\* Bids are award based on the lowest True Interest Cost (TIC).

True Interest Cost is a method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Purchase price is affected by the amount of underwriter's discount the buyer utilizes.

**Competitive Public Sale provides for open bid process. Every underwriter** (Wiley Brothers, Southwest Securities, Duncan-Williams, FTN Financial Capital Markets, Raymond James & Associates, Robert W. Baird, Hutchinson, Shockey, Erley & Co., Sterne, Agee & Leach, Bank of America Merrill Lynch, Vining-Sparks, PNC Capital Markets, SunTrust Banks, Wells Fargo Bank, Goldman Sachs, Stifel Nicolaus, UBS Financial Services, KeyBanc Capital Markets, Citigroup Global Markets, Piper Jaffray, William Blair & Company, Mesrow Financial, J.P. Morgan, Morgan Stanley, Barclays Capital, BOSC Inc., RBC Capital Markets, Guggenheim Securities, Janney Montgomery Scott, etc.) **will have an opportunity to submit a bid. The bonds will be awarded to the firm that has the lowest True Interest Cost (the lowest financing cost to the City)**

**COST OF ISSUANCE****City of Johnson City, Tennessee  
General Obligation Refunding Bonds, Series 2015**

<b>Cost of Issuance</b>	<b>\$/1000</b>	<b>Amount</b>
Financial Advisor	5.00000	29,550.00
Bond Counsel	3.04569	18,000.00
Paying Agent	0.12690	750.00
POS/Official Statement	0.84602	5,000.00
Advertising	0.23689	1,400.00
Miscellaneous	0.84518	4,995.00
Rating Agency	2.36887	14,000.00
Accounting Fees	0.67682	4,000.00
	13.14636	77,695.00



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DIVISION OF LOCAL FINANCE  
SUITE 1700 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7976 FAX (615) 532-5232

February 12, 2009

Mr. Jack J. Delozier Sr., Chairman  
The Public Building Authority of Sevier County, Tennessee  
P.O. Box 4630  
Sevierville, Tennessee 37864

Dear Mr. Delozier:

This will acknowledge receipt of a letter dated February 11, 2009, from Mr. Joseph K. Ayres, Managing Director-Morgan Keegan & Company, Inc., on behalf of The Public Building Authority of Sevier County, Tennessee (the "Authority") requesting a report from this office pursuant to the provisions of Title 12, Chapter 10, Tennessee Code Annotated (the "Act") with regard to the refinancing of various outstanding variable rate debt obligations previously issued by the Authority and other Tennessee public building authorities. According to the plan we have received, the Authority will sell either fixed rate bonds or variable rate bonds supported by a letter of credit or standby bond purchase agreement which is expected to result in reducing the outstanding obligations' exposure to interest rate volatility currently being experienced in the financial markets. The outstanding obligations were issued for the purpose of providing loans to local governments/local government instrumentalities ("the Borrowers") in Tennessee for eligible public works projects pursuant to the provisions of the Act. The role of the Authority is that of a conduit issuer and the true obligor for the repayment of the bonds issued by the Authority is each Borrower under a loan agreement funded by the proceeds of the related series of bonds.

The Act requires that a plan of refunding be submitted to the State Director of Local Finance prior to the adoption of a resolution authorizing the issuance of refunding bonds. It is realized that, at this time, it would be very difficult to identify items such as each particular Borrower's loan agreement associated with obligations to be refunded, the amount of refunding bonds to be issued, the costs of issuance, and the related amortization schedules and projected interest costs. Consequently, Mr. Ayres has indicated and it is understood by this office that the Public Debt Information Form CT-0253, indicating the actual refunding debt obligations issued, any related loan agreements, the costs of issuance, effective dates, etc., will be submitted to our office as required by law within forty-five days after the issuance of the proposed obligations.

If any interest rate swap agreements related to the outstanding obligations and associated loan agreements were executed pursuant to State Funding Board Guidelines, please be

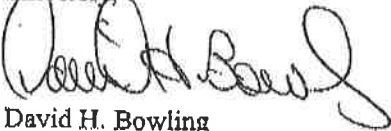


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advised that Section III(H) of the Guidelines requires that this office be notified when such swap agreements are terminated and if any payments are made. The specific information required to be submitted to this office under the Guidelines is as follows: *"If, after receiving a report of compliance, the Interest Rate Agreement or Forward Purchase Agreement is terminated, the Governmental Entity shall submit within 15-days a report to the Comptroller identifying the reasons for such termination and any payments made or received by any parties to the Agreement. The report must include the methods used in determining and the actual calculation of the amount of such payments."*

This constitutes the report of this office pursuant to the Act and may be considered as applicable to any refunding bonds hereafter issued by the Authority to refinance obligations previously issued by the Authority or by any other Tennessee public building authority. It is our understanding that Mr. Ayres will provide a copy of this report to any Borrower whose loan agreement will be included in any such refinancing. If requested, we will provide an original, signed report to any Borrower which desires such. This report does not constitute approval or disapproval by this office; however we assume that responsible officials will be comfortably knowledgeable about these transactions.

Sincerely,



David H. Bowling  
Director of Local Finance

DHB:laa



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DIVISION OF LOCAL FINANCE  
SUITE 1700 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0274  
PHONE (615) 401-7976  
FAX (615) 532-5232

June 20, 2008

Honorable Phil Roe  
Mayor of Johnson City  
PO Box 2150  
Johnson City, TN 37605-2150

and

Mr. Harry Kidwell, Chairman  
The Public Building Authority of Blount County  
381 Court Street  
Maryville, TN 37804

and

Mr. Jack J. Delozier, Sr., Chairman  
The Public Building Authority of Sevier County  
PO Box 4630  
Sevierville, TN 37864

Dear Mayor Roe, Mr. Kidwell and Mr. Delozier:

This will acknowledge receipt of a letter dated June 20, 2008, on behalf of Johnson City (the "Borrower") and the Public Building Authorities of Blount County and Sevier County (either or both being the "Issuer") from Mr. Joseph K. Ayres, Managing Director—Cumberland Securities, requesting a report from this office pursuant to the provisions of Title 12, Chapter 10, Tennessee Code Annotated with regard to the refinancing of various outstanding variable-rate debt obligations. According to the plan we have received, the Issuer or the Borrower will sell either fixed rate bonds or will sell variable rate bonds supported by a letter of credit which is expected to result in reducing the outstanding obligations' exposure to interest rate volatility currently being experienced in the insured bond markets.

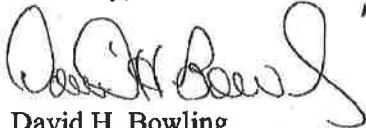
Mr. Ayres has identified in his letter—a copy of which is attached—certain Issuer bonds in the aggregate principal amount of \$118,380,000 and the related loan agreements with the Borrower which are being considered as refunding candidates; however, it is understood that the final transaction may or may not include all of these obligations. Mr. Ayres has also stated that the Public Debt

Information Form CT-0253, indicating the actual debt obligations issued, the costs of issuance, effective dates, etc., will be submitted to our office as required by law within forty-five days after issuance of the proposed obligations.

This constitutes the report of this office pursuant to the provisions of Title 12, Chapter 10, Tennessee Code Annotated. This does not constitute approval or disapproval of the proposed transaction; however, we do assume that responsible officials of the Borrower and Issuer will be comfortably knowledgeable about the various aspects of the transaction prior to making the final decisions to proceed.

Finally, if any interest rate swap agreements related to the outstanding obligations were executed pursuant to State Funding Board Guidelines, please be advised that Section III(H) of the Guidelines requires that this office be notified if any such swap agreements are terminated and if any payments are made. The specific information required to be submitted to this office under the Guidelines is as follows: ***"If, after receiving a report of compliance, the Interest Rate Agreement or Forward Purchase Agreement is terminated, the Governmental Entity shall submit within 15-days a report to the Comptroller identifying the reasons for such termination and any payments made or received by any parties to the Agreement. The report must include the methods used in determining and the actual calculation of the amount of such payments."***

Sincerely,



David H. Bowling  
Director of Local Finance

DHB:laa

Cc: Joe Ayres ✓

# Morgan Keegan

Cumberland Securities  
Division of Morgan Keegan & Company, Inc.  
530 South Gay Street, Suite 800  
Knoxville, Tennessee 37902  
865/637-1131  
FAX 865/637-0169  
Members New York Stock Exchange, Inc.

June 5, 2008

Mr. David H. Bowling  
Director of Local Finance  
Suite 1700, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-0274

Re: City of Johnson City, Tennessee

Dear Mr. Bowling:

In accordance with our understanding of the procedures your office has asked us to follow, please be advised that the Public Building Authorities of Sevier County & Blount County, Tennessee (the "Issuer") and the City of Johnson City, Tennessee (the "Borrower") request that you report on a proposal by the Borrower to enter into one or more Loan Agreements with the Issuers to refinance one or more outstanding Loan Agreements for the purpose of reducing exposure to interest rate volatility in the insured bond market.

The Issuers or the Borrower will issue their bonds—which will either be structured as fixed rate bonds or as variable rate obligations supported by a bank letter of credit for the purpose of refunding certain of its outstanding insured variable-rate bonds related to the outstanding Loan Agreements. At this time, the following Issuer bonds and Borrower Loan Agreements are being considered in this refunding plan; however, the final transaction may or may not include all of these obligations.

1. Series III-A-6 dated 3/19/1998 outstanding in the amount of \$4,465,000
2. Series III-C-1 dated 10/29/1998 outstanding in the amount of \$5,490,000
3. Series III-C-2 dated 10/29/1998 outstanding in the amount of \$6,520,000
4. Series III-C-3 dated 10/29/1998 outstanding in the amount of \$2,605,000
5. Series IV-B-6 dated 1/27/2000 outstanding in the amount of \$7,145,000
6. Series IV-B-7 dated 1/27/2000 outstanding in the amount of \$2,355,000
7. Series IV-B-8 dated 1/27/2000 outstanding in the amount of \$370,000
8. Series IV-F-1 dated 12/28/2000 outstanding in the amount of \$8,170,000
9. Series IV-G-2 dated 5/03/2001 outstanding in the amount of \$9,100,000
10. Series IV-G-3 dated 5/03/2001 outstanding in the amount of \$7,500,000
11. Series D-6-A dated 2/15/2006 outstanding in the amount of \$35,925,000
12. Series D-9-A dated 3/01/2007 outstanding in the amount of \$28,735,000

Per usual, we will submit to your office State Form CT-0253 after the issuance of any bonds by the Issuer on behalf of the Borrower.

Please let us know if you have any questions or need any additional information for your reports to the Borrower and the Issuer.

Very Truly Yours,

  
Joseph K. Ayres  
Managing Director

Issuer's No. \_\_\_\_\_  
(To be completed by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Tennessee Code Annotated 9-21-151)

## 1. Issuer:

Name City of Johnson City, Tennessee

Address Attn: Mayor

601 East Main Street, P.O. Box 2150, Johnson City, Tennessee 37605

Series V-K-1 Loan Agreement (The Public Building Authority of Sevier County)

2. Debt obligation: ☐ a. Bond  
☐ b. CON  
☐ c. BAN  
☐ d. GAN  
☐ e. Lease/Lease Purchase  
☒ f. Loan Agreement

5. Face Amount of Debt Obligation \$67,000,000

6. Type of sale: ☐ a. Competitive Public Sale  
☐ b. Negotiated  
☒ c. Loan Program TN LOANS<sup>SM</sup>  
(specify)

## 3. Security for Debt Obligation:

- ☒ a. General Obligation  
☐ b. General Obligation Revenue and Tax  
☐ c. Revenue  
☐ d. Annual Appropriations

7. Tax Status:  
a. X Tax Exempt b. \_\_\_\_\_ Taxable

8. Dated Date: 3/12/2009

## 4. Purpose of Issue:

## Percent of Issue:

- |   |             |
|---|-------------|
| <input type="checkbox"/> a. General Government              | _____       |
| <input type="checkbox"/> b. Education                       | _____       |
| <input type="checkbox"/> c. Highways and Streets            | _____       |
| <input type="checkbox"/> d. Public Safety                   | _____       |
| <input type="checkbox"/> e. Solid Waste Disposal            | _____       |
| <input type="checkbox"/> f. Industrial Park                 | _____       |
| <input type="checkbox"/> g. Manufacturing Facilities        | _____       |
| <input type="checkbox"/> h. Health Facilities               | _____       |
| <input type="checkbox"/> i. Airports                        | _____       |
| <input type="checkbox"/> j. Utilities                       | _____       |
| <input type="checkbox"/> i. Water and                       | _____       |
| <input type="checkbox"/> ii. Sewer                          | _____       |
| <input type="checkbox"/> iii. Electric                      | _____       |
| <input type="checkbox"/> iv. Gas                            | _____       |
| <input checked="" type="checkbox"/> k. Refunding or Renewal | <u>100%</u> |
| <input type="checkbox"/> l. Other _____                     | _____       |
| specify   |             |

9. Issue Date (Closing Date): 3/12/2009

## 10. Rating: n/a

- a. Moody's \_\_\_\_\_  
b. Standard & Poor's \_\_\_\_\_  
c. Unrated \_\_\_\_\_

11. Interest Cost: ☒ a. TIC (True Interest Cost)  
\_\_\_\_\_ % ☐ b. NIC (Net Interest Cost)  
☐ c. Variable Rate  
☐ d. Other

## 12. Recurring Costs:

- a. Remarketing Agent Fees \$ \_\_\_\_\_  
b. Liquidity Fees \$ \_\_\_\_\_  
c. Credit Enhancement Fees \$ \_\_\_\_\_

**SEE REVERSE SIDE**

## 13. Maturity Dates, Amounts and Interest Rates

Year	Principal Amount	Interest Rate
2010	2,475,000	2.500%
2011*	5,380,000	2.500
2011*	28,085,000	5.000
2012	2,415,000	5.000
2013	2,565,000	3.000
2014	2,680,000	4.000
2015	8,560,000	4.000
2016	2,215,000	4.000
2017	1,880,000	4.000

Year	Principal Amount	Interest Rate
2018	1,965,000	4.000%
2019	2,060,000	4.000
2020	2,150,000	4.000
2021	1,420,000	4.125
2022	1,485,000	4.250
2023	530,000	4.500
2024	555,000	4.625
2025	580,000	4.750

\*split coupon

If additional space is needed, attach additional sheet

No. of Years \_\_\_\_\_  
(To be completed by State)

## 14. Itemized Description of the Cost of Issuance

Name of Firm

(ROUND TO THE NEAREST DOLLAR)

a. Financial Advisor Fees	\$ _____
b. Legal Fees	
i. Bond Counsel	\$ _____
ii. Issuer's Counsel	\$ _____
iii. Trustee's Counsel	\$ _____
	\$ _____
	\$ _____
c. Paying Agent Fees and Registration Fees	\$ _____
d. Trustee Fees	\$ _____
e. Remarketing Agent Fees	\$ _____
f. Liquidity Fees	\$ _____
g. Rating Agency Fees	\$ _____
h. Credit Enhancement Fees	\$ _____
i. Underwriter's Discount (%) _____	\$ _____
i. Take Down	\$ _____
ii. Management Fee	\$ _____
iii. Risk Premium	\$ _____
iv. Underwriter's Counsel	\$ _____
v. Other Expenses	\$ _____
j. Printing and Advertising Fees	\$ _____
k. Issuer Fees	\$ _____
l. Real Estate Fees	\$ _____
m. Other Costs	\$ _____
n. Total Costs	\$ _____

Please refer to Form CT-0253 filed in connection

with The Public Building Authority of Sevier County,  
Tennessee Local Government Public Improvement  
Bonds, Series V-K-1

Note: Please enclose a copy of the DISCLOSURE STATEMENT or OFFICIAL STATEMENT if one was developed.

15.

Authorized Representative (Signature)

Jane Myron

Authorized Representative (Please Type or Print Legibly)

Mayor

Title

March 12, 2009

Date

Joc Ayres

Preparer (Please Type or Print Legibly)

Managing Director

Title

Morgan Keegan &amp; Company, Inc.

Firm

March 12, 2009

Date

SEND TO: Comptroller of the Treasury, Division of Local Finance, Suite 1700, 505 Deaderick Street,  
James K. Polk State Office Building, Nashville, Tennessee 37243-0274

Issuer's No. \_\_\_\_\_  
(To be completed by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Tennessee Code Annotated 9-21-151)

## 1. Issuer:

Name The Public Building Authority of Sevier County, Tennessee

Address c/o Sharp & Ripley, Mill Corner Place, 248 Bruce Street, Suite 7  
Sevierville, Tennessee 37862

Local Government Public Improvement Bonds, Series V-K-1 (City of Johnson City)

2. Debt obligation: ☒ a. Bond

- ☐ b. CON  
☐ c. BAN  
☐ d. GAN  
☐ e. Lease/Lease Purchase  
☐ f. Loan Agreement

5. Face Amount of Debt Obligation \$67,000,0006. Type of sale: ☐ a. Competitive Public Sale☐ b. Negotiated☒ c. Loan Program TN LOANS<sup>SM</sup>  
(specify)

## 3. Security for Debt Obligation:

- ☐ a. General Obligation  
☐ b. General Obligation Revenue and Tax  
☒ c. Revenue  
☐ d. Annual Appropriations

## 7. Tax Status:

a. X Tax Exempt b. \_\_\_\_\_ Taxable8. Dated Date: 3/12/2009

## 4. Purpose of Issue:

## Percent of Issue:

- |   |             |
|---|-------------|
| <input type="checkbox"/> a. General Government              | _____       |
| <input type="checkbox"/> b. Education                       | _____       |
| <input type="checkbox"/> c. Highways and Streets            | _____       |
| <input type="checkbox"/> d. Public Safety                   | _____       |
| <input type="checkbox"/> e. Solid Waste Disposal            | _____       |
| <input type="checkbox"/> f. Industrial Park                 | _____       |
| <input type="checkbox"/> g. Manufacturing Facilities        | _____       |
| <input type="checkbox"/> h. Health Facilities               | _____       |
| <input type="checkbox"/> i. Airports                        | _____       |
| <input type="checkbox"/> j. Utilities                       | _____       |
| <input type="checkbox"/> i. Water and                       | _____       |
| <input type="checkbox"/> ii. Sewer                          | _____       |
| <input type="checkbox"/> iii. Electric                      | _____       |
| <input type="checkbox"/> iv. Gas                            | _____       |
| <input checked="" type="checkbox"/> k. Refunding or Renewal | <u>100%</u> |
| <input type="checkbox"/> l. Other _____                     | _____       |
| specify _____   | _____       |

9. Issue Date (Closing Date): 3/12/2009

## 10. Rating:

- a. Moody's \_\_\_\_\_  
b. Standard & Poor's \_\_\_\_\_  
c. Fitch \_\_\_\_\_

## 11. Interest Cost:

3.553791%☒ a. TIC (True Interest Cost)☐ b. NIC (Net Interest Cost)☐ c. Variable Rate☐ d. Other

## 12. Recurring Costs:

- a. Remarketing Agent Fees \$ \_\_\_\_\_  
b. Liquidity Fees \$ \_\_\_\_\_  
c. Credit Enhancement Fees \$ \_\_\_\_\_

SEE REVERSE SIDE

## 13. Maturity Dates, Amounts and Interest Rates

Year	Principal Amount	Interest Rate
2010	2,475,000	2.500%
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2016	2,215,000	4.000
2017	1,880,000	4.000

Year	Principal Amount	Interest Rate
2018	1,965,000	4.000%
2019	2,060,000	4.000
2020	2,150,000	4.000
2021	1,420,000	4.125
2022	1,485,000	4.250
2023	530,000	4.500
2024	555,000	4.625
2025	580,000	4.750

\*split coupon

If additional space is needed, attach additional sheet

No. of Years \_\_\_\_\_  
(To be completed by State)

## 14. Itemized Description of the Cost of Issuance

Name of Firm

(ROUND TO THE NEAREST DOLLAR)

a. Financial Advisor Fees	\$		
b. Legal Fees			
i. Bond Counsel	\$	60,000	Bass, Berry & Sims PLC
ii. Issuer's Counsel	\$	6,500	Sharp and Ripley
iii. Trustee's Counsel	\$		
Bank Counsel	\$		
	\$		
	\$		
c. Paying Agent Fees and			
Registration Fees	\$		
d. Trustee Fees	\$	2,500	Regions Bank
e. Remarketing Agent Fees	\$		
f. Liquidity Fees	\$		
g. Rating Agency Fees	\$	20,000	S&P
h. Credit Enhancement Fees	\$	278,932	
i. Underwriter's Discount (%) (.48%)	\$	321,770	Morgan Keegan & Company, Inc.
i. Take Down	\$		
ii. Management Fee	\$		
iii. Risk Premium	\$		
iv. Underwriter's Counsel	\$		
v. Other Expenses	\$		
j. Printing and Advertising Fees	\$	6,433	Morgan Keegan & Company, Inc.
k. Issuer Fees	\$		
l. Real Estate Fees	\$		
m. Other Costs	\$	50,000	TN Loans Program Admn. (Structuring Fees; Misc.)
n. Total Costs	\$	\$746,135	

Note: Please enclose a copy of the DISCLOSURE STATEMENT or OFFICIAL STATEMENT if one was developed.

## 15.

Authorized Representative (Signature)

Jack Delozier

Authorized Representative (Please Type or Print Legibly)

Chairman

Title

March 12, 2009

Date

Joe Ayres

Preparer (Please Type or Print Legibly)

Managing Director

Title

Morgan Keegan &amp; Company, Inc.

Firm

March 12, 2009

Date

SEND TO: Comptroller of the Treasury, Division of Local Finance, Suite 1700, 505 Deaderick Street,  
James K. Polk State Office Building, Nashville, Tennessee 37243-0274